



0000052642

t Broadway
00
City, UT 84111

Communications, Inc.

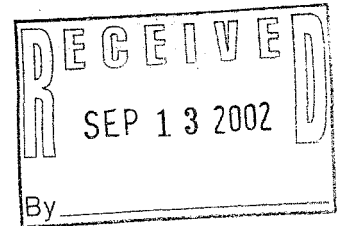


2002 SEP 13 P 4: 20

AZ CORP COMMISSION
DOCUMENT CONTROL

September 10, 2002

Tel 801.983.1600
Fax 801.983.1520

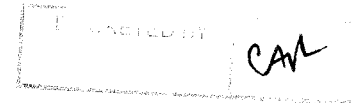


Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85012

Arizona Corporation Commission
DOCKET

SEP 13 2002

Re: XO Communications, Inc.
Docket T-03601A-01-0965



Dear Commissioners:

At the August 21, 2002, open meeting, you considered and approved a transaction involving XO Communications, Inc. ("XO"). This letter is intended to update you on that transaction.

On Monday, August 26, 2002, the U.S. Bankruptcy Court for the Southern District of New York approved the XO reorganization plan pursuant to which XO will receive \$800 million in funding from investors Forstmann Little & Co. and Telefonos de Mexico S.A de C.V. ("Forstmann Little/Telmex") This was the plan approved by the Commission at the August 21st open meeting. As was discussed at that open meeting, some investors have expressed doubt that all the conditions for closing the transaction could be met. XO has disagreed with that assessment. In any event, no new agreement has been negotiated and XO is proceeding to fulfill its obligations under the investment agreement.

In the event the Forstmann Little/Telmex transaction does not close, a stand-by transaction has been negotiated and either that transaction or a substitute transaction will be used to reorganize the company. We understand that we will need to return to the Arizona Corporation Commission if a materially different transaction is negotiated. I will keep you and your staff apprised as the restructuring moves forward.

Meanwhile, please be assured that XO Arizona, Inc. – the company certified to provide telecommunications service in Arizona – is continuing to provide high quality telecommunications services and is operating no differently than it was prior to the bankruptcy filing.

XO Communications, Inc.



Please feel free to contact me, or our legal counsel Joan Burke (602-640-9356), if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rex Knowles'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Rex Knowles,
Vice President, Regulatory